

**Education Audit Appeals Panel
State of California**

Appeal of Fiscal Year 2003-04 Audit
Findings S-04-11, S-04-13 by:

Los Angeles Unified School District,
Appellant.

EAAP Case No. 06-16

OAH No. L2006090365

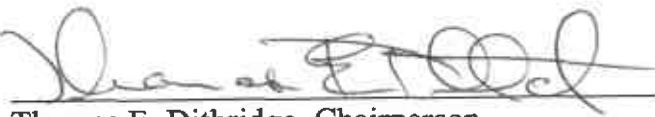
Decision

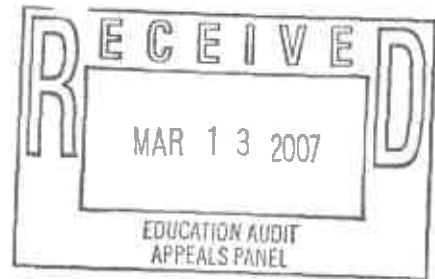
The Education Audit Appeals Panel has adopted the attached Stipulation and Proposed Decision of the parties as its Decision in the above-entitled matter.

Effective date: 30 April 2007

IT IS SO ORDERED.

30 April 2007
Date


Thomas E. Dithridge, Chairperson
for Education Audit Appeals Panel



BEFORE THE
EDUCATION AUDIT APPEALS PANEL
STATE OF CALIFORNIA

In the Matter of:

Appeal of Fiscal Year 2003-04 Audit Finding(s) S-04-11, S-04-13 by LOS ANGELES UNIFIED SCHOOL DISTRICT

Appellant(s).

EAAP Case No. 06-16
OAH Case No. 2006090365

Proposed Decision

The attached Stipulation and Proposed Decision is adopted and submitted to the Education Audit Appeals Panel as my proposed decision in the above-entitled matter.

Dated: March 7, 2007
~~February~~

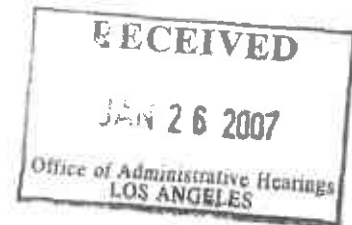

JANIS S. ROVNER
Presiding Administrative Law Judge
Office of Administrative Hearings

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ORIGINAL

1 EDMUND G. BROWN JR., Attorney General
of the State of California
2 JOHN H. SANDERS
Lead Supervising Deputy Attorney General
3 RICHARD T. WALDOW
Supervising Deputy Attorney General
4 GREGORY M. CRIBBS, State Bar No. 175642
Deputy Attorney General
5 300 So. Spring Street, Suite 1702
Los Angeles, CA 90013
6 Telephone: (213) 897-2441
Facsimile: (213) 897-2805
7 E-mail: gregory.cribbs@doj.ca.gov

8 Attorneys for Department of Finance



9
10 **BEFORE THE**
11 **EDUCATION AUDIT APPEALS PANEL**
12 **STATE OF CALIFORNIA**
13

14 **In the Matter of:**

15
16 **Appeal of Fiscal Year 2003-04 Audit Finding(s) S-**
17 **04-11, S-04-13 by LOS ANGELES UNIFIED**
SCHOOL DISTRICT

18 **Appellant(s).**
19

EAAP Case No. 06-16
OAH Case No. 2006090365

**Stipulation and Proposed
Decision**

20 The State Controller's Office (SCO), the Department of Finance (DOF), and the Los
21 Angeles Unified School District (LAUSD), who are all of the parties in this action, hereby agree
22 to a complete resolution of this matter as follows:

23 **Recitals**

24 A. The accountancy firm KPMG, LLP (KPMG), conducted an audit of LAUSD for
25 the fiscal year ending June 30, 2004, the results of which were included in the Consolidated
26 Annual Financial Report (audit report) dated January 25, 2005, revised April 4, 2006.

27 B. On pages 251-255 of the audit report KPMG identified a significant finding,
28 finding S-04-11 (Instructional Time and Staff Development Reform Program). Therein, KPMG

1 determined that LAUSD did not comply with the provisions of Education Code section 44579 in
2 implementing the Instructional Time and Staff Development Reform Program. Based upon this
3 finding, KMPG disallowed \$30,228.00 of received State funding.

4 C. On pages 256-257 of the audit report KPMG identified a significant finding,
5 finding S-04-13 (Class Size Reduction - Individual Class Teacher/Student Ratios over Maximum
6 20.4.) Therein, KPMG determined that a third grade class exceeded the 20.4 student per class
7 ceiling maximum with an error/exception rate of 7.14% extrapolated district-wide. Based upon
8 this finding, KPMG disallowed \$3,553,371.00 of received State funding.

9 D. LAUSD timely submitted its appeal of findings S-04-11 and S-04-13 to the
10 Education Audits Appeal Panel (EAAP) on September 5, 2006.

11 Agreement

12 1. For the purpose of effecting a compromise of this action, and to avoid the
13 uncertainty and costs of litigation, the SCO, DOF and LAUSD agree:

- 14 a. that LAUSD will withdraw its appeal of finding S-04-11;
15 b. that the amount disallowed under KPMG finding S-04-13 will be reduced
16 from \$3,553,371.00 to \$710,674.20;
17 c. that LAUSD will withdraw, with prejudice, its appeal (EAAP Case
18 No. 06-16; OAH No. L2006090365);
19 d. that neither SCO or DOF will engage in further activity to adversely affect
20 LAUSD funding based on KPMG findings S-04-11 and S-04-13; and
21 e. that LAUSD will make all reasonable efforts in the future to insure
22 compliance with the provisions of Education Code sections 44579 and 52122.

23 2. This settlement agreement is made without any admission of fault or liability by
24 any party.

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27 ///

28 ///

1 3. The terms and conditions of this agreement are subject to the approval of the
2 LAUSD Board of Education.

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4 OFFICE OF THE STATE CONTROLLER

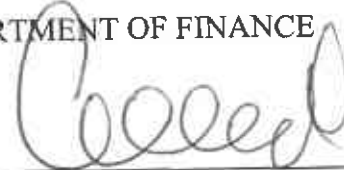
5
6 Dated: _____, 2007

By: _____
GARY D. HORI

7 Attorney for JOHN CHIANG, California
8 State Controller

9
10 DEPARTMENT OF FINANCE

11
12 Dated: 1/26, 2007

By: 
GREGORY M. CRIBBS
Deputy Attorney General

13
14 Attorney for Department of Finance

15
16
17 LOS ANGELES UNIFIED SCHOOL DISTRICT

18
19 Dated: _____, 2007

20 By: _____
KEVIN REED
General Counsel

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1 3. The terms and conditions of this agreement are subject to the approval of the
2 LAUSD Board of Education.

3
4 OFFICE OF THE STATE CONTROLLER

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6 Dated: 1/24, 2007

By: Gary D. Hori
GARY D. HORI

7 Attorney for JOHN CHIANG, California
8 State Controller

9
10 DEPARTMENT OF FINANCE

11
12 Dated: _____, 2007

By: _____
GREGORY M. CRIBBS
Deputy Attorney General

14 Attorney for Department of Finance

15
16
17 LOS ANGELES UNIFIED SCHOOL DISTRICT

18
19 Dated: _____, 2007

By: _____
KEVIN REED
General Counsel

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25 LA2006601640

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4 OFFICE OF THE STATE CONTROLLER

6 Dated: _____ 2007

By: _____
GARY D. HORT

Attorney for JOHN CHANG, California
State Controller

10 DEPARTMENT OF FINANCE


12 Dated: _____ 2007

By: _____
GREGORY M. CRIBBS
Deputy Attorney General

Attorney for Department of Finance

17 LOS ANGELES UNIFIED SCHOOL DISTRICT

19 Dated: Jan 26 2007

By: 
KEVIN REED
General Counsel

24 60190400 wpd

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